

# ADMINISTRATION, AUDIT, AND ENFORCEMENT

During the 1997-98 reporting period, the Charitable Gaming Division initiated and/or resolved 86 separate administrative actions involving gaming licensees. Below is a summary of the Division's Administrative Actions:

## Administrative Orders Issued:

|  |    |                              |
|--|----|------------------------------|
| License Denial (includes 9 County/City Lottery Worker Denials) ..... | 17 |                              |
| License Suspension .....   | 3  |                              |
| Administrative fines* .....  | 47 | (Amount collected: \$66,800) |
| License Revocation .....   | 4  |                              |
| Other .....  | 2  |                              |

## Administrative Actions Initiated and Pending:

|                           |   |
|---------------------------|---|
| License Denial .....      | 2 |
| License Suspension .....  | 3 |
| Administrative Fine ..... | 7 |
| Tax Assessment .....      | 1 |

## Administrative Orders Appealed and Resolved in Higher Court:

|                      |   |
|----------------------|---|
| District Court ..... | 1 |
|----------------------|---|

## Lawsuits Pending in Higher Court:

|                        |   |
|------------------------|---|
| District Court .....   | 2 |
| Court of Appeals ..... | 1 |

\*Monies collected from the fines assessed are deposited by the State Treasurer into the Permanent School Fund for the support and maintenance of schools in Nebraska.

**Temporary licenses** were granted in certain cases by the State Tax Commissioner to applicants where the Department sought to deny a license application in order to protect the rights of the parties during pendency of any administrative or court proceedings. As of the close of the annual reporting period, the following **temporary licenses** had been granted:

|  |   |
|--|---|
| Class II Lottery by Sale of Pickle Cards ..... | 1 |
| Utilization of Funds Member .....              | 1 |
| Pickle Card Operator .....                     | 2 |
| County/City Lottery Operator .....             | 1 |

**The Policy/Licensing Section of the Charitable Gaming Division** is responsible for the licensing of individuals, businesses, counties, cities, and villages, and nonprofit organizations which conduct charitable gaming activities in Nebraska. It is also responsible for the implementation of legislation enacted by the Nebraska Legislature relative to charitable gaming activities, identifying needed legislative changes in the charitable gaming areas which it regulates, recommending and drafting proposed legislation relative to charitable gaming, promulgating administrative regulations and revenue rulings to clarify and supplement statutory provisions, the development and publication of information guides and a biannual newsletter for gaming licensees, and for the rendering of day to day opinions and interpretations of the charitable gaming laws.

During the legislative session held within this reporting period and for the first time since the creation of the Charitable Gaming Division in 1986, the Nebraska Legislature did not adopt any changes to Nebraska's charitable gaming laws. However, several statutory changes adopted during the previous legislative session did become effective during the reporting period. New statutory provisions implemented during the reporting period included a reduction in the state bingo tax from six to three percent of gross receipts, and a reduction in the local bingo tax rate from two to one percent of gross receipts, both of which became effective October 1, 1997. In addition, several other technical provisions adopted through the passage of LB 248 (a Charitable Gaming Division technical bill) in the previous reporting period also became effective October 1, 1997.

**The Audit Section of the Charitable Gaming Division** is responsible for the enforcement and compliance review of licensed organizations conducting bingo, pickle card and lottery/raffle activity, and counties, cities, and villages licensed to conduct county/city lottery (keno) activity. The section is also responsible for the review of certain financial aspects of computerized keno systems that are approved by the department for use in county/city lottery operations.

In addition, the Audit Section conducts routine and requested field audits, monthly reviews of pickle card tax returns submitted by licensed distributors, monthly reviews of the pickle card activity of organizations with significant cash shortages, quarterly reviews of tax returns submitted by licensed organizations conducting bingo and lottery/raffle activities and counties, cities and villages conducting keno, as well as annual reviews of the gaming activity reports for counties, cities, and villages conducting keno and all licensed organizations involved in

charitable gaming activities. The audit section activity break down for the period July 1, 1997 through June 30, 1998 is as follows:

- 662 Pickle Card Annual Reports reviewed
- 229 Bingo Annual Reports reviewed
- 193 Lottery/Raffle Annual Reports reviewed
- 130 County/City Lottery Annual Reports reviewed
- 58 Annual Report Nonfilers identified and referred to Investigation Division
- 44 Annual Report Shortages identified and referred to Investigation Division
- 12 Other Annual Report Violations identified and referred to Investigation Division
- 19 Other Annual Report Violations identified and referred to Policy Section or Legal Division
- 2 Field Audits of bingo operations
- 37 Field Audits of pickle card operations
- 7 Field Audits of county/city lottery (keno) operations
- 296 Letters Written to licensees in an attempt to explain the problems with their annual reports and how nonprofit organizations can use the annual reports to audit themselves
- 20 Field Visits to explain problems on the annual reports, take inventory, reconcile what the organization deposited into its pickle card account to the calculated amount of the funds generated from the sale of pickle cards (memoranda, with audit findings and work papers, were prepared for the violations of gaming laws and provided to the Legal and Investigation Divisions for further action)
- 19 Monthly Reconciliations required to track the pickle card funds of organizations found to have significant shortages
- 15 Organizations With Additional Tax Liabilities found as a result of annual report reviews

During the reporting period, the Audit Section also developed and distributed "Sample Check Ledgers" to bingo, pickle card and lottery/raffle licensed organizations. The ledgers were designed to help the organizations record required information which is needed to complete their quarterly and annual reports. In July, the Audit Section participated in a State Conference held for representatives of all Veterans of Foreign Wars within Nebraska.

**The Investigation Division** is responsible for investigative and enforcement functions involving charitable gaming activities as well as numerous other areas within the Department of Revenue. Investigation staff members are located at sites throughout the state, and have varied areas of responsibility relating to charitable gaming activities involving inspections, investigations, and in some instances both.

The Investigation Division continues to work closely with the Charitable Gaming Division in addition to other Divisions within the Department concerning gaming related matters. Although charitable gaming wagering has continued to decline during the past year, a number of activities performed by the Investigation Division during that same period of time have actually increased, such as the number of investigations conducted. In addition to the aforementioned increase in the area of investigations, increased inspections of organizations (pickle card and lottery/raffle) and pickle card operators also occurred during the past year. Investigations conducted by the Investigation Division are both civil and criminal in nature, with a relatively large number of cases being forwarded to appropriate local prosecuting attorneys for criminal prosecution. The Investigation Division continues to have an excellent working relationship with law enforcement agencies in general throughout the State, including local prosecuting attorneys.

The Investigation Division continues to work with the Gaming Division on numerous matters, in a continuing effort to keep the gaming activities as well regulated and enforced as possible and yet, flexible enough to accommodate the public. During the reporting period, the Investigation Division conducted the following charitable gaming enforcement activities:

- 55 Bingo Game Inspections
- 315 Organization Inspections (Pickle Card and Lottery/Raffle)
- 2,545 Pickle Card Operator Inspections
- 72 Decal Violations on pickle card dispensing devices
- 4 Manufacturer Inspections (Bingo and Pickle Card)
- 2 Manufacturer Background Investigations
- 11 County/City Lottery Background Investigations
- 104 Keno Compliance Visitations
- 321 Investigations resulting from alleged violations and/or complaints (all gaming activities combined)
- 12 Formal Presentations to gaming licensees or potential licensees